

## Message Text

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16

ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-02 H-02 AGR-05 INT-05 OES-03 NSCE-00 CU-02

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TO SECSTATE WASHDC 3551

INFO AMEMBASSY WARSAW

AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRD, CH, PO

SUBJECT: SINO-POLISH TRADE AGREEMENT

REF: PEKING 2280 (1974)

SUMMARY: ACCORDING TO POLISH TRADE OFFICIALS IN PEKING, THE SINO-POLISH 1975 TRADE AGREEMENT PROVIDES FOR ONLY A SMALL INCREASE OF TRADE OVER 1974, DUE TO SAGGING PRICES FOR IMPORTANT CHINESE EXPORTS AND TO THE INABILITY OF POLISH INDUSTRY, BECAUSE OF OTHER COMMITMENTS, TO PROVIDE THE CHINESE WITH ADDITIONAL MACHINERY AND EQUIPMENT THEY WISH TO BUY. END SUMMARY.

1. DURING CALL AT USLO APRIL 10, THE POLISH COMMERCIAL COUNSELOR, TADEUSZ KOWALSKI, AND COMMERCIAL ATTACHE, JAN SWITALA, PROVIDED FOLLOWING INFORMATION ON THE 1975 SINO-POLISH TRADE AGREEMENT WHICH WAS SIGNED IN WARSAW IN MARCH.

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2. THE AGREEMENT PROVIDES FOR AN ESTIMATED TURNOVER OF SWISS

FRANCS 300 MILLION (US\$ 121 MILLION), ABOUT 1 PERCENT ABOVE THE ESTIMATED VALUE OF LAST YEAR'S AGREEMENT OR 7 PERCENT ABOVE THE ACTUAL VALUE OF CONTRACTS SIGNED PURSUANT TO LAST YEAR'S AGREEMENT. UNDER THE NEW AGREEMENT, THE CHINESE WOULD BUY ABOUT SF 143 MILLION AND SELL THE POLES ABOUT SF 157 MILLION WORTH OF GOODS IN 1975. AS IN PREVIOUS YEARS, THE IMBALANCE COVERS OUTSTANDING "NON-TRADE" (I.E. INVISIBLES) ITEMS, SUCH AS SHIPPING COSTS AND FEES FOR SERVICING OF CHINESE SHIPS IN POLISH PORTS. (KOWALSKI EXPLAINED THAT THE ANNUAL AGREEMENTS LIST THE VALUE OF QUANTITY OF EACH ITEM TO BE EXCHANGED, AND HENCE OVERALL FIGURES FOR IMPORTS AND EXPORTS IN THE AGREEMENTS CAN ONLY BE ESTIMATED. WE BELIEVE THIS IS THE CASE IN MOST PRC TRADE AGREEMENTS WITH OTHER SOCIALIST COUNTRIES.)

3. ONE REASON FOR THE SMALL INCREASE OVER 1974 IS THAT WORLD PRICES FOR CERTAIN CHINESE EXPORTS SUCH AS RICE AND TEXTILES ARE LOWER THIS YEAR. ANOTHER IS THE INABILITY OF POLISH PLANTS, BECAUSE OF OTHER COMMITMENTS, TO PROVIDE ADDITIONAL EQUIPMENT AND MACHINERY WHICH THE CHINESE WANT TO BUY. TO REMEDY THIS, THE POLES HAVE BEEN URGING THE CHINESE TO PROVIDE MORE LEAD TIME BY PLACING ORDERS EARLY, AND TO SOME EXTENT THIS IS BEING DONE: CONTRACTS HAVE ALREADY BEEN SIGNED FOR CHINESE PURCHASES OF SHIP ENGINES WHICH WILL BE INCLUDED UNDER THE ANNUAL AGREEMENTS FOR 1976 AND 1977.

4. CONTRACTS SIGNED UNDER THE 1975 AGREEMENT SO FAR COVER 40 PERCENT OF THE POLISH EXPORTS BUT ONLY 16 PERCENT OF THE POLISH IMPORTS. THE REASON FOR THE LATTER, KOWALSKI BELIEVES, IS THAT THE CHINESE ARE HOPING FOR AN IMPROVEMENT IN WORLD MARKET PRICES FOR THEIR EXPORTS,

AND AT LEAST WANT TO WAIT UNTIL AFTER THE SPRING CANTON FAIR BEFORE MAKING FIRM COMMITMENTS TO THE POLES.

5. PRINCIPAL ITEMS ON THE POLISH EXPORT LIST IN THE 1975 AGREEMENT ARE : COAL MINING EQUIPMENT (SF 24 MILION), EXCAVATORS (130 PIECES), DIESELENGINES UNDER 400 HP (100 PIECES), 8-TON TRUCKS (200 PIECES, A NEW ITEM), MISCELLANEOUS SPARE PARTS (SF 12 MILLION), STEEL PLATE AND OTHER CONSTRUCTION STEEL (45,000 TONS), AND FORK LIFTS (100 PIECES).

6. PRINCIPAL ITEMS ON THE CHINESE EXPORT LIST ARE: RICE (36,000 TONS; SAME QUANTITY AS 1974), TUNG OIL, TEXTILES, METALS AND MINERALS LIMITED OFFICIAL USE

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(100 TONS TIN, 20 TONS MERCURY, 560 TONS WOLFRAM CONCENTRATE, 500 TONS ANTIMONY, 20,000 TONS FLUORSPAR, 8,000 TONS BAUXITE, 2,000 TONS TALC), CHEMICALS ANIMAL BY-PRODUCTS (BRISTLES AND HOG CASINGS), ESSENTIAL OILS, AND LIGHT INDUSTRIAL GOODS. BUSH

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